

Message Text

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ACTION EUR-25

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VIENNA FOR EWTC

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TAGS: ECON, EFIN, ENRG, ETRD, EAGR, RO

SUBJ: 1974 PLAN AND BUDGET

REFS: A) BUCHAREST 4408; B) BUCHAREST 4420; C) BUCHAREST 4408

1. SUMMARY: GRAND NATIONAL ASSEMBLY SESSIONS ON DECEMBER 1-2 CAPPED WEEK OF PARTY-STATE ACTIVITY BY ENACTING 1974 ECONOMIC AND FINANCIAL PLANS CONTAINING NO ABRUPT POLICY CHANGES, BUT REVEALING SIGNIFICANT SHIFTS IN EMPHASIS, ESPECIALLY IN MANAGEMENT OF ECONOMY. END SUMMARY.

2. ECONOMIC PLAN FOR 1974 - WHILE NEXT YEAR'S PLAN CONTINUES FUNDAMENTAL TREND OF FAST INDUSTRIAL EXPANSION BASED ON HIGH INVESTMENT AT SOME COST TO REST OF ECONOMY, IT CONTAINS ELEMENTS FOR SOME SIGNIFICANT REALLOCATION OF RESOURCES AND SHIFTS IN EMPHASIS. FOLLOWING TOP PERFORMANCE IN INDUSTRIAL SECTOR IN 1973, THE PLAN CALLS FOR EVEN HIGHER INDUSTRIAL OUTPUT IN 1974 (16.7 PERCENT OVER 1973). EXTERNAL SECTOR WAS ALSO STRONG POINT
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IN 1973, BUT IS CALLED UPON NOW FOR ENORMOUS EXPANSION (41.3

PERCENT) IN 1974, AND EVEN HIGHER GOALS ARE SET FOR TRADE WITH CONVERTIBLE CURRENCY AREA. PLAN ALSO CALLS FOR RECORD (AND PERHAPS UNREALISTIC) OUTPUT IN AGRICULTURAL SECTOR (21.5 PERCENT), APPARENTLY DESIGNED TO COMPENSATE FOR POOR YEAR IN 1973, AND TO IMPROVE OVERALL AGRICULTURAL PERFORMANCE IN FRAMEWORK OF 5 YEAR PLAN. ACCORDING TO GOR OFFICIALS, PLANNED AGRICULTURAL EXPANSION WILL BE SUPPORTED BY INCREASES IN VOLUME OF FERTILIZER USED, MORE INVESTMENT IN MACHINERY AND TRACTORS, AND ENLARGEMENT OF IRRIGATED AREAS. AMONG SOME OF THE SACRIFICES TO THESE EXPANDED GOALS IN 1974, ACCORDING TO THE NEW PLAN, WILL BE APARTMENT CONSTRUCTION, SLATED FOR NOMINAL GROWTH (ABOUT 5 PERCENT), AND CLASSROOM CONSTRUCTION, WHICH WILL BE CUT CONSIDERABLY (BY ABOUT 17 PERCENT).

3. BUDGET FOR 1974 - BALANCED, AT 198.2 BILLION LEI EXPENDITURES (ABOUT 16 PERCENT OVER 1963), THE BUDGET MATCHES SHIFTS IN EMPHASIS IN PRODUCTIO PLAN BY ALLOTING MORE OF TOTAL STATE EXPENDITURES (ABOUT 60 PERCENT CONTRASTED TO ABOUT 57 PERCENT IN 1973) FOR FINANCING OF NATIONAL ECONOMY. TOTAL INVESTMENT IN AGRICULTURE WILL BE UP SHARPLY, WITH STATE FUNDS AUGMENTED FROM LOCAL BUDGET RESOURCES, WHILE INDUSTRY'S SHARE OF STATE INVESTMENT WILL BE REDUCED. BURDEN OF SHIFTS WILL BE CARRIED BY SUCH BUDGET ITEMS AS HOUSING CONSTRUCTION, SCIENCE, CULTURE, EDUCATION, AND HEALTH SERVICES, WHICH ARE IN FOR RELATIVELY SMALLER BUDGET INCREASES OR EVEN REDUCTIONS.

4. COMMENT: PRELIMINARY RESULTS SHOW THAT ROMANIAN ECONOMY IN 1973 WAS SUPPORTED BY SOME REMARKABLY STRONG AREAS SUCH AS OVERALL INDUSTRIAL GROWTH WHICH WILL PROBABLY FINISH THE YEAR WITH OVER 16 PERCENT EXPANSION, FOREIGN TRADE (AIDED BY RISE IN WORLD PRICES AND DEMAND) WHICH SHOULD SHOW SIGNIFICANT SURPLUS, GROWING FOREIGN EXCHANGE EARNINGS FROM TOURIST INDUSTRY, AND AN IMPROVING BALANCE OF PAYMENTS POSITION. STILL, A FUNDAMENTAL PROBLEM REMAINS IN THE ECONOMY, THAT OF INEFFICIENCY OF INVESTMENTS, BOTH IN TERMS OF TIME FOR NEW INVESTMENTS TO BEGIN TO PAY OFF, AND LOW RETURN FROM EXISTING INVESTMENT. (THIS POINT ALSO COMES IN FOR SOME LAMBASTING BY CEAUSESCU WHO, IN HIS SPEECH TO CC PLENUM NOVEMBER 29, CAME DOWN HARD ON MORE PRODUCTIVE USE OF EXISTING INDUSTRIAL CAPACITY AND HIGHER QUALITY OF OUTPUT.) EFFICIENCY FACTOR ALONE MEANS HIGH COST TO THE LIMITED OFFICIAL USE

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ECONOMY FOR FASTER INDUSTRIAL EXPANSION. IN ADDITION, GROWING SHORTAGES OF RAW MATERIALS AND SHIFTING OF RESOURCES INTO ALREADY SAGGING AND LESS PRODUCTIVE AGRICULTURAL SECTOR COULD PUT THE BRAKES ON INDUSTRIAL EXPANSION. ADD TO THAT NEW PROBLEMS IN ENERGY AREA, AND IT COULD SPELL SLOWDOWN FOR CEAUSESCU'S AMBITIOUS INDUSTRIALIZATION PLAN. COMMITMENTS MADE IN PLAN AND BUDGET, THEREFORE, LEAVE CEAUSESCU IN POSITION OF RELYING TO LARGE EXTENT ON SUCH UNPREDICTABLE FACTORS AS

CONTINUED MAJOR IMPROVEMENTS IN EXTERNAL SECTOR, EXTREMELY HIGH AGRICULTURAL OUTPUT, AND INDUSTRIAL EFFICIENCY (INCLUDING VERY HIGH INDUSTRIAL LABOR PRODUCTIVITY GOALS, NOT ALWAYS A STRONG POINT IN ROMANIAN INDUSTRY), IN ORDER TO MAINTAIN ECONOMY'S MOMENTUM. MOREOVER, IT REMAINS TO BE SEEN TO WHAT DEGREE THE "SERIOUS SHORTCOMINGS AND MISTAKES", AGAINST WHICH CEAUSESCU HAS INVEIGHED AT THE PLENUM AND EARLIER, WILL IMPEDE AMBITIOUS 1974 GOALS.

5. DETAILED AIRGRMA REPORT FOLLOWS.
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